

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE DECEMBER 18, 2019 PENSION BOARD MEETING**

1. Call to Order

The Chair called the meeting to order at 8:41 a.m. at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, WI 53202.

2. Roll Call

Members Present

Members Excused

Fernando Aniban
Linda Bedford (for items 3-15)
Laurie Braun (Vice Chair)
Michael Harper (Chairman)
William Holton
Elena LaMendola (for items 3-13(b))
LaValle Morgan
Ronald Nelson (for items 3-12(c))
David Robles

Others Present

Erika Bronikowski, Interim Director—Retirement Plan Services
Anne Berleman Kearney, Deputy Corporation Counsel
Julie Landry, Chief Human Resources Officer
Rachel Preston, Paralegal - Office of Corporation Counsel
Chris Luttrell, Director of Risk Management
Christopher Caparelli, Marquette Associates, Inc.
Jessica Culotti, Reinhart Boerner Van Deuren s.c.
John C. Forelli, Boston Partners
William J. Supple, Boston Partners
Kenneth E. Anderson, Aon
Luz Vazquez, ERS member
Jeffrey Sweetland, Attorney for Mr. Wisniewski

3. Chairperson's Report

The Chair apologized for being a few minutes late and noted he would have comments as the Board progresses through the agenda.

4. Minutes

(a) November 20, 2019 Meeting

The Chair asked if there were comments or questions regarding the November meeting minutes, and seeing none, he stated he would entertain a motion to approve the minutes as drafted.

The Pension Board unanimously voted to approve the minutes of the November 20, 2019 Pension Board meeting. Motion by Mr. Holton, seconded by the Vice Chair.

5. Investments

(a) Boston Partners

The Chair welcomed the representatives from Boston Partners, and stated that the Board generally allots 20 to 30 minutes for investment presentations.

Mr. Supple thanked the Chair and the Board for the opportunity to present on Boston Partners' Large Cap Value Equity Product. He introduced his colleague John Forelli and explained that Mr. Forelli is a CFA and heads the portfolio research group at Boston Partners. Mr. Supple then explained that he heads up the public fund and Taft-Hartley business at Boston Partners. He noted they have 174 clients in this area, and the firm overall has \$87 billion in assets. Mr. Supple stated the large cap value product, which ERS is invested in, is their flagship product with \$30 billion in assets.

Mr. Supple then reviewed the investment team at Boston Partners. He noted that Mark Donovan is currently the co-CEO, but he will be stepping out of his co-CEO role on January 1, 2020 and focus on investments, specifically, the large cap value. Mr. Supple explained this will not result in a change for ERS, except that Mr. Donovan will have even more time to devote to finding the best stocks for the portfolio. Mr. Supple then reviewed the portfolio management and research team. He stated the portfolio management team has an average of 26 years' experience and the research team has an average of 16 years' experience. Mr. Supple noted that when the markets are difficult, Boston Partners has experienced people who have quite a bit of expertise and have seen quite a few things.

Mr. Supple continued by reviewing ERS's portfolio performance. He explained when they attended the January meeting, they spent time talking about the fourth quarter, which was a difficult quarter, and turned 2018 into a difficult year. Mr. Supple noted the portfolio was down almost 14% in the fourth quarter. Mr. Supple explained that they managed to claw back that negative performance but have not yet been able to make things look positive in all the trailing time periods. He noted there are some positive signs for the future. Mr.

Supple explained in the large cap market, they are starting to see the large cap names come back. He noted the year-to-date numbers are steadily improving, and the third quarter was a good quarter. Mr. Supple further noted while December is not over yet, they are 40 basis points ahead of the index for December.

Over the last 24 years, Mr. Supple stated the average returns have been 10.4% versus the index at 9.3%. He explained Boston Partners started managing \$35 million in August of 1995, and over the course of 24 years, ERS has taken \$225 million. Mr. Supple further explained the balance of the account is about \$100 million, roughly 3 times what ERS started with. Mr. Supple commented that Boston Partners outperformed the index by about \$70 million over that period of time, so they are an active manager who is able to outperform the index. Mr. Supple further explained that 86% of the time Boston Partners is ahead of the three-year number with the average outperformance being 1.6%.

Mr. Supple then asked Mr. Forelli to explain the portfolio. Mr. Forelli briefly reviewed how Boston Partners chooses stocks for the portfolio. He explained they buy stocks that include the intersection of three characteristics, valuation, business fundamentals and business momentum. Mr. Forelli stated over the last two years, expensive stocks have outperformed less expensive stocks, and that has created a headwind for performance, but that is beginning to turn. He explained each of the characteristics and stated Boston Partners are looking for high-quality assets, not just the least expensive option. Mr. Forelli commented that generally the goal is to find companies that are going to generate more free cash flow than the market expects them to generate over the next 1 to 2 years. Mr. Forelli explained this is not only the buy discipline but also the sell discipline. This is further a risk control mechanism because low valuations and high quality are typically attributes that help protect capital in all market environments.

Mr. Forelli next explained the portfolio characteristics. He stated the portfolio trades at less than 13 times earnings, compared to about 14 times for the value benchmark. Mr. Forelli further reviewed the characteristics and noted this is a time where the market will begin to reward these characteristics despite the lack of such rewards over the previous 9 months or so.

Mr. Forelli continued by providing the Board with an overview of where the portfolio is positioned today relative to the Russell 1000 value and S&P 500 benchmarks. He explained finance is a very big part of the portfolio, nearly 30%. Mr. Forelli also stated healthcare is a big sector in the portfolio, as is technology. Mr. Forelli explained the areas of the market that are not very attractive are the low volatility sectors, including utility, real estate investment trusts and consumer durables. The portfolio is underweight relative to index in

these areas because these companies look very expensive. Mr. Forelli stated these are the types of companies that did very well in the fourth quarter of last year when the portfolio had a difficult time period. Mr. Forelli explained they do not chase what worked last month because that is not a way to provide excess returns over time. After calling for questions on the positioning of the portfolio and seeing none, Mr. Forelli reviewed the markets.

Mr. Forelli began by reviewing a chart depicting how since 2014 growth stocks have been outperforming value stocks. He explained this is happening in an environment where the yield curve has gotten flatter. Mr. Forelli stated in his opinion, the market was down last year 13% - 15% in one quarter because investors were anticipating a recession in 2019, which in retrospect has not happened. Mr. Forelli clarified that even looking at 2020, they also do not see the possibility of a recession, and they have become very optimistic about the future.

Next Mr. Forelli reviewed some of the historical valuations of different sectors of the market. He stated one group consists of the stable stocks, those low-volatility stocks, including utilities, REITS and consumer nondurable companies, like Walmart and McDonalds. These stocks are historically expensive. The other group consists of historically inexpensive stocks. For that group of stable stocks, Mr. Forelli explained only 3% of the time back to 1976 has that group of stocks looked more expensive than they do today. Therefore, he noted they are somewhat skeptical about the continued outperformance of these stocks. Conversely, only 5% of the time, going back to 1976, have the bank stocks looked less expensive than they are today. Mr. Forelli explained this is why the portfolio is overweight to banks and underweight to utility companies.

Mr. Forelli continued by explaining the portfolio was underweight to the low volatility group of stocks, which created a headwind for the portfolio's performance relative to the benchmarks. However, he stated this is beginning to change. Mr. Forelli reviewed a chart with the Board that measures historical growth versus value. He explained as this chart goes up, it means growth is outperforming value. As it goes down, it means value is outperforming growth. Mr. Forelli pointed the Board to a time period in the late 1990s. He explained that for the entire decade, growth stocks outperformed value stocks, and then on March 9, 2000, value stocks began outperforming. Mr. Forelli further explained it took only 6 months in 2000 for an entire decade of growth outperformance to be wiped out. He commented this is why the portfolio does not chase trends. Instead, they think being overweight to growth stocks at this point in the cycle looks very dangerous relative to history, and this is another reason why they are optimistic about the future of this portfolio.

Mr. Forelli then reviewed another chart that compared two companies. First is Best Buy, which trades at about 11 times earnings, and they return a lot of their excess cash back to shareholders. Mr. Forelli noted over the last year, this company has exceeded earnings expectations by about 5%, but the stock is down 10% over the last year. Mr. Forelli attributed this to investors' concerns about trade war issues with China, which imports a lot of electronic goods. Mr. Forelli compared Best Buy with NextEra Energy, which is a utility company, and one of the low-volatility companies. Mr. Forelli stated this company trades at 25 times earnings, which is a significant premium to the market. Mr. Forelli explained the company has not exceeded earnings expectations, but met it. This stock is up 43% this year. However, Mr. Forelli clarified this trend is starting to reverse itself. Thus far, this quarter, Best Buy is up 25%, and NextEra Energy is up 3%. Mr. Forelli explained the portfolio's absolute performance and relative performance has snapped back very nicely since July 1, up about 9.1%, compared to about 7.8% in the index.

In response to a question from the Chair, Mr. Forelli confirmed that NextEra Energy is part of the Russell 1000 Value Index.

Mr. Forelli continued by reviewing the portfolio's performance in extreme markets. He stated that during the tech bubble burst in the early 2000s, the portfolio was up over 15%, compared to the benchmark being down over 6%. Additionally, during the financial crisis, the portfolio did a good job of protecting the capital, with the portfolio down a little bit less than 2%, compared to the market, which was down about 12%. Mr. Forelli clarified this portfolio has been through downtimes before, and the market has rewarded this style of investing over the last 25 years.

Mr. Forelli concluded by reviewing the portfolio performance through different market conditions. He stated there has been an up market environment for about the last 10 years, and 58% of the time the portfolio outperformed in up markets. However, Mr. Forelli stated that the portfolio has also outperformed 59% of the time in the down markets.

Mr. Forelli then again expressed his appreciation for ERS as one of Boston Partners' longest-standing clients. The Chair called for questions and seeing none, thanked Mr. Supple and Mr. Forelli for their presentation.

(b) Marquette Associates Report

The Chair asked Mr. Caparelli to present Marquette's report to the Board.

Mr. Caparelli first started with a market update. He explained 2019 has been a very good year across all asset classes. Mr. Caparelli noted there was not a lot

of optimism this year. Instead, there were constant concerns about trade wars or Brexit. However, the end result, at the end of the year, was positive returns across all asset classes.

Mr. Caparelli continued by reviewing the individual asset classes. He stated for the U.S. equity market, November was another positive month at 3.6%, putting the S&P 500 at 27.6% year-to-date. Mr. Caparelli noted the U.S. equity is up about another percent in December, which puts it right around 28.9%. Mr. Caparelli commented this is a really strong return, and a really nice development coming off of what was a tough fourth quarter last year, and overall a tough 2018.

For the non-U.S. equity returns, Mr. Caparelli stated year-to-date, the ACWI excluding US is up about 16.5%. He noted the Emerging Markets this year is one of the lagging sectors of the overall market. Mr. Caparelli explained Emerging Markets is up about 10%, but is sensitive to some of the trade issues that have been occurring so it is not quite as strong in returns. On the bond side of the portfolio, Mr. Caparelli noted not much has changed in the last few months, but overall the year has been very good. He explained the aggregate benchmark is up 8.8% year-to-date. Mr. Caparelli explained normally, fixed income is thought to be a 3% or 4% per year asset class. Accordingly, the 9% return for this year has pulled forward some returns in 2019, which may make it tougher to achieve those great returns going forward.

Mr. Caparelli then reviewed the yield curve. He stated the biggest change from the way it looked a year ago is that interest rates have come down all the way across the curve. For comparison, Mr. Caparelli explained the 10-year Treasury bond yield at the end of last year was around 2.7%, and today it is around 1.8%. Mr. Caparelli further explained that over the last few months, the yield curve has taken a more normal shape, and the inversion that existed at the short end of the curve has been eliminated from the market. He noted this is a result of the Fed cutting rates a number of times this year. Mr. Caparelli stated they do not have a good indication of what the next move will be, but it is likely there will be a cut at some point in 2020. However, for the time being, it seems like the Fed is on hold and pretty content with interest rates as they are. Mr. Caparelli commented in his view they are content because they continue to see decent market activity. He noted the Jobs Report showed the economy added another 260,000 jobs, which is not a lot of inflation, and the labor market is strong. Mr. Caparelli summarized that 2019 should be a strong year across the portfolio.

In response to a question from the Chair, Mr. Caparelli stated he does not know the exact CPI rate off the top of his head, but he believes it is still below 2%. The Chair ask Mr. Caparelli to add CPI to the market tracker because the Board uses CPI Plus for infrastructure.

Mr. Caparelli called for any other questions about the markets overall, and seeing none, he proceeded to review the portfolio. Mr. Caparelli noted that there were no changes to any manager status, but Segall Bryant on Non-U.S. Small-Cap Value and UBS on Core Real Estate remain on alert.

With regard to the Fund, at the end of November, the Fund was around \$1.69 billion. Mr. Caparelli stated there has not been much change to the allocations in the last few months, so this is similar to how it looked at the end of October. He noted the current allocation is pretty close to the targets. Mr. Caparelli explained the two moving pieces at the moment are a partial redemption from UBS and an increase to the infrastructure deposit. Otherwise, the portfolio is pretty close to target, and Marquette does not have any additional rebalancing recommendations today.

In response to a question from the Chair about how ERS typically harvests cash to meet cash flow requirements, Mr. Caparelli stated the Northern Trust cash overlay fund usually holds a fair amount of cash, about \$30 million, because \$16 million to \$17 million a month is the average need. Mr. Caparelli further explained that when there is a need, they look to certain asset classes. He stated there is not much they can do on a month-to-month basis with Real Estate, Infrastructure or Private Equity, so any cash request comes from Hedged Equity, International, U.S. and fixed income. Mr. Caparelli noted in a good market, like 2019, most of the money has come out of U.S. Equities and International Equities as asset classes that have done well and are being rebalanced. If things take a down turn, then the request would likely come from the most stable asset, which is fixed income. The Chair commented that when he looks at the overall portfolio, it is not generating a whole lot of income. He explained that when looking at where the cash comes from for those quarterly requests, it is combining the information with what was received recently from the liquidity analysis. The Chair stated he would like to better appreciate whether the Fund is generating adequate income in the portfolio for these cash requirements. He noted that when he looks at the 1-, 3-, 5-year versus the payout rate, it begins to tell a different story on a return basis.

In response to a question from Mr. Robles, Mr. Caparelli explained previously, a fund could get 5% or 6% out of a treasury bond so there was much more income in the portfolio. However, with the income rates low, the assets had to be moved to other classes that do not necessarily pay much in the way of dividends. He used Real Estate and Infrastructure as examples because those are two areas where there is a good income component, in the 4% to 5% range. Mr. Caparelli contrasted this to dividends on equities, which are 1.5% to 2%, and fixed income, which is around 2% to 2.5%. Mr. Caparelli explained that liquidity is also a consideration. If ERS needs cash for next week's or next

month's benefit payments, it will likely have to come from liquid assets, depending on what is over- or underweight in the targets.

The Chair thanked Mr. Caparelli for the explanation and stated the Investment Committee will likely continue this discussion.

Mr. Caparelli continued by reviewing the portfolio activity over the last five years. He discussed a chart showing beginning and ending values, as well as net cash flow, which is all the cash flow coming in and out of the Fund netted out. Mr. Caparelli further explained that net investment change would be any market activity to realize the unrealized gains on top of that cash flow. As an example, he stated that over the last month, ERS had a net cash outflow of about \$15.1 million. Then the markets added back \$16.2 million. This resulted in about \$2 million in overall portfolio growth over the last month. Mr. Caparelli explained this is too short of a timeframe to be all that meaningful, so it is important to look at the longer term numbers. Mr. Caparelli highlighted the year-to-date numbers, which are about \$204 million in portfolio appreciation, offset by about \$134 million in cash flow. He explained over the long-term, 3- and 5-year numbers, the portfolio growth has not quite covered that heavy cash outflow.

In response to a question from Mr. Robles, Mr. Caparelli explained the time period in the chart just happens to start in 2014, but the chart can be moved either way. While this is a 5-year window, it could be 10.

Mr. Caparelli continued by reviewing the portfolio performance. He stated at the composite level, ERS was up 1% over the one-month period. On a year-to-date basis, the portfolio is at 12.8%, versus a total fund benchmark of 12.9%. Mr. Caparelli noted that across the other annualized time periods, 1-, 3-, 5-, 7- and 10-years, ERS has consistently outpaced that composite benchmark number. Mr. Caparelli further noted the benchmark is a passive representation of the portfolio, and while some areas can be passive, in some other areas, it does not make sense to be passive.

In response to a question from the Chair, Mr. Caparelli explained the benchmark is not as broad as a 60/40 split. Instead, what it measures in the aggregate is the collective out- or underperformance of the active managers. The Chair noted that ERS still has a relatively large portion of active management, and he questioned that with the active management, whether there was a tracking error or manager selection issues. Mr. Caparelli agreed it could be a little bit of both and noted that as the Board heard from Boston Partners, ERS tends towards the managers that have longer track records. Mr. Caparelli explained that looking out over 10 years in the aggregate, it is 8% versus 7.6% or about 40 basis points per year on average from those active managers. After

further discussion on this issue, the Chair stated this is something the Investment Committee could take up in terms of looking at rotating ERS's tilts, particularly as ERS has moved to more of the index products.

Mr. Caparelli then continued to review the portfolio performance. He stated fixed income year-to-date is 9% versus 8% to the benchmark. Mr. Caparelli noted Galliard has been very consistent. Similarly, QMA in Emerging Market Small Cap year-to-date has beat the benchmark at 6% versus 5.1%. Mr. Caparelli explained that Emerging Market Small Cap has had a rough year primarily due to some of the trade issues. He noted in the longer term, 5- 7- and 10-years, there are some excess returns. Mr. Caparelli stated Marquette believes that in the emerging markets over time, better demographics should lead to better growth, but it is a very volatile asset class.

Mr. Caparelli continued by reviewing the Hedged Equity. Collectively, the two managers have come out to 12.9% year-to-date, UBS with 11.2% and Parametric at 14.5%. Mr. Caparelli explained that Real Estate, Infrastructure, and Private equity are quarterly valued assets. Accordingly, there are not really November updated numbers. However, Mr. Caparelli stated there is still some sense of year-to-date performance. He explained both Infrastructure managers, IFM and J.P. Morgan are 8.2% to 8.5% year-to-date. Mr. Caparelli noted that once the fourth quarter numbers are in, it could be closer to 10%. Real Estate is the same with no monthly update, but it is likely the Board will see 1% to 1.5% from the Real Estate managers in the fourth quarter, leaving the overall Real Estate composite, somewhere in the 3% or 4% range. Mr. Caparelli explained that looking historically at Real Estate, the returns have been consistently strong over the last 10 years, 14% to 7%, so this year's returns are the lowest returns Real Estate has provided in over a decade.

In response to a question from the Chair, Mr. Caparelli stated the outlook for Infrastructure is a little bit more optimistic than Real Estate. Mr. Caparelli then called for any questions on the portfolio update. Seeing none, Mr. Caparelli briefly reviewed the fee updates.

(c) Fee Update

Mr. Caparelli noted the Board has seen these fee memorandums a handful of times. He explained the Investment Committee reviewed the JP Morgan fee reduction offer in depth and reviewed a model with some details on how the fees would change depending on the rates of return. Mr. Caparelli clarified that what JP Morgan is proposing is lowering the management fee and capturing performance fees a little bit quicker. He noted that almost all scenarios lead back to a fee reduction for ERS. Accordingly, Mr. Caparelli stated Marquette recommends that ERS sign the fee concession letter with JP Morgan.

In response to a question from the Chair, Mr. Caparelli confirmed that the letters are due back in early February, so the Board should know more early in the first quarter.

In response to a question from Mr. Nelson, the Chair stated that there was a point made at the Investment Committee meeting that ERS could achieve the same fee concession by investing more assets with JP Morgan. He noted that without locking in a performance fee, ERS could achieve the same net outcome by investing more. Mr. Caparelli agreed and noted that the fee break is at \$100 million and goes down 5 or 6 basis points at \$100 million. Currently, the portfolio has a \$76 million invested.

In response to a question from Mr. Aniban, Mr. Caparelli agreed that Marquette could prepare an impact analysis on this proposal. Mr. Caparelli noted that the proposal is transferring money within an asset class, so it does not change the overall portfolio structure.

The Chair then thanked Mr. Caparelli and stated that the Investment Committee will review this further and provide the Board with a recommendation at the next meeting.

(d) Private Equity RFP

Mr. Caparelli concluded his report by stating that the Investment Committee Chair scheduled interviews with all the prospective managers in the Private Equity search. Mr. Caparelli stated Marquette has spoken with the prospective managers and provided an overview of what the Committee would like to hear.

Mr. Nelson clarified that the Investment Committee is conducting manager interviews on January 13. He stated the Committee is interviewing several managers from three different sub-asset classes in Private Equity and noted it is likely to be a long meeting.

In response to questions from the Board, Mr. Caparelli stated Marquette has asked all of the managers to submit materials by January 6 to allow time for review. Mr. Caparelli also agreed that he will forward the worksheet that came from JP Morgan to Ms. Bronikowski to allow Mr. Aniban and any other Trustees who could not attend the Investment Committee meeting to review the model.

6. Fiduciary Insurance

The Chair then took the agenda out of order to invite the representatives from Aon and the County's Risk Management Division to discuss the fiduciary insurance renewal with the Board.

Ms. Bronikowski stated the Pension Board received communication from Aon regarding the 2020 fiduciary insurance renewal. She stated the Board has two different options this year. Ms. Bronikowski introduced Mr. Luttrell from Milwaukee County's Risk Management Division and Mr. Anderson from Aon. She asked Mr. Luttrell and Mr. Anderson to give the Board an overview of the options and address any questions from the Board.

Mr. Luttrell introduced himself to the Board and stated he is the Director of Risk Management for Milwaukee County. Mr. Luttrell introduced Ken Anderson from Aon and explained that Mr. Anderson goes to the insurance market and negotiates rates with the different insurance companies for Milwaukee County. Mr. Luttrell noted this is with regard to the fiduciary liability insurance renewal as ERS and the Board's policy terminates on December 31, 2019. Mr. Luttrell explained the current proposal maintains the same insurance companies that have been insuring ERS in the past. Mr. Luttrell further explained the difference this year are the different deductible options. He stated one proposal maintains the current \$150,000 deductible, but it increases the annual premium by 11.9%. Mr. Luttrell stated there is an alternative proposal for a \$250,000 deductible and a decrease in the insurance premium from the last year. He explained that the difference is that if claims arise or if there are multiple claims, the lower deductible is better, but if claims do not arise, the Board and ERS are better off with the higher deductible and the lower premium.

Mr. Luttrell then provided an overview of the insurance market. He explained that most of the policies his office is renewing for Milwaukee County have increased anywhere between 15% and 25%. Accordingly, the 11.9% increase to maintain the current deductible level is not out of the ordinary; instead, it is actually a fairly good rate. Mr. Anderson agreed and commented that in real dollars, the premium difference is only \$46,135. He further commented that in the public entity space, the \$150,000 deductible is not being offered anymore. Mr. Anderson stated he predicts that next year, the Board will likely be forced to renew with a \$250,000 deductible. Accordingly, Mr. Anderson stated that if the Board renewed this year at the \$150,000 renewal, it might be a point of negotiation next year.

In response to a question from Mr. Aniban, Mr. Anderson stated that the deductible is per claim.

In response to a question from Mr. Nelson regarding coverage when a claim is filed, Mr. Anderson stated that a claim is covered under the policy in effect when the claim occurs.

The Vice Chair then asked Mr. Anderson for his recommendation as ERS's broker. Mr. Anderson stated he does not believe the market is going to get softer next year, so premiums are unlikely to go down. Mr. Anderson explained that there are not a lot of insurers who offer products to public entities for fiduciary coverage, so he stated he would likely suggest proceeding with the premium cut because the Board would likely be forced to renew next year at the \$250,000 level anyways. In response to a question from the Chair, Mr. Anderson confirmed that fiduciary insurance at the \$150,000 deductible level is just not offered anymore.

In response to a question from Ms. LaMendola about the historical data provided to the Board, Mr. Anderson stated in the years that show \$0 for a claim, any claims filed that year were under the \$150,000 deductible limit or maybe a claim was filed, but there was not any actual loss.

Mr. Robles commented that the question appears to be whether there is anything that is generating the potential for litigation and whether there are going to be claims in 2020, in which case the lower deductible is a better option. Mr. Robles noted that he can think of a two scenarios off the top of his head that the Board should consider as potential situations for litigation. The Chair noted that while references to any specific situations should be discussed in closed session with counsel, he agreed that the Board should be aware of the litigation exposure in relationship to the deductible options.

In response to a question from Mr. Aniban, Mr. Anderson confirmed that the limit is \$30 million. He further stated that they do benchmarking every year, based on asset size and class, and for public entities \$30 million is right in the median.

Ms. Landry then underlined that ERS is doing everything that it can do to avoid litigation, but it is impossible to predict what may trigger a lawsuit.

The Chair then asked for additional thoughts or comments from the Board, and seeing none noted that the Board will consider the issue further and make a decision on this later in the meeting. He thanked Mr. Luttrell and Mr. Anderson for attending.

7. Appeals

(a) L. Vazquez

The Chair then took the agenda out of order and invited Ms. Vazquez to present her appeal to the Board. He stated if there was information that would be personal in nature that Ms. Vazquez would like to have discussed in closed session, the Board can go into closed session. Otherwise, the Chair stated Ms. Vazquez could proceed.

Ms. Vazquez stated she was before the Board to request her pension. She stated when she called to request her contributions after her position was transferred to the State, she was told her contributions were no longer available because she did not respond to the letter after she terminated employment. Ms. Vazquez stated she never received the letter, and as verification of this, she submitted a statement from her neighbor that confirms there are mistakes with the Post Office in their area. Accordingly, Ms. Vazquez stated she never received a letter informing her that she had to withdrawal her contributions within a certain time period.

The Chair called for questions from the Board. In response to a question from Mr. Aniban, Ms. Vazquez confirmed that this money was money that was deducted from her salary.

In response to a question from Mr. Robles, Ms. Vazquez stated that she has resided at her residence since 2012, and she terminated County employment in September 2015. She further confirmed that she has not moved.

The Vice Chair stated she tends to ask this question of everyone, but has Ms. Vazquez complained to the Postal Service about the problems she has been experiencing with her mail? Ms. Vazquez stated she did complain, but she did not have documentation of it. She explained they did not have her fill out a form, but the problems still occur. As an example, she stated last week her neighbor across the street got her mail.

The Chair then asked if there were any further questions and seeing none, he explained to Ms. Vazquez that the Board will review her information and discuss the matter in closed session. He thanked Ms. Vazquez for appearing and noted that this is an unfortunate situation, but the Board will have to make a determination based on the information and the Ordinances and Rules. The Chair wished Ms. Vazquez a Happy Holidays and noted that counsel will notify her of the Board's decision afterwards verbally and by letter.

Ms. Kearney then stated that there is not a public comment period included on the agenda. Accordingly, the Board cannot take public comments. She explained that the open meeting rules require that the agenda reflect any

comment opportunities so the public could attend if desired. In response to a question from a member of the public, Ms. Kearney noted that there is no public comment opportunity on this agenda, but she could make a request for a future agenda item. Ms. Kearney clarified that it is up to the Board to decide how it wants to proceed. In response to further discussion, Ms. Kearney stated that under open meeting rules, the agenda must reflect all items on the agenda prior to the meeting, and items cannot be added at the meeting.

The Chair also reminded the Board members that they serve all members of ERS and to observe the appropriate protocols and rules as is relates to the Board and its meetings. The Chair stated that the meetings are to allow the Board to conduct business and discharge its obligations as fiduciaries. The Chair further stated that any individual requests made to specific Trustees should be directed to RPS and the Director. The Chair explained that he receives emails and phone calls, but all of those calls are and should be directed to the Director of ERS who can then address them.

8. 2020 Budget

Ms. Bronikowski provided a final draft of the 2020 budget, as well as a breakdown of some of the requested items to the Pension Board. She explained that there were a number of questions presented at Audit Committee regarding the budget, and she has answers to those. Ms. Bronikowski started with the first question, which was regarding the maintenance and posting for V3. She explained that on the prior version of the budget, there was a line items that was duplicated and added \$300,000. Accordingly, the budget has been updated to reflect that the line item is for both the hosting and maintenance fees with a total cost of \$719,000. Ms. Bronikowski stated the second question was regarding continuing education expenses.

In response to a question from the Chair about the on-site local education for Trustees, Ms. Bronikowski reviewed a breakdown RPS prepared. She noted that historically this was only one line item, but after the question from the Board, RPS parceled out all of the individual trainings for staff members. Additionally, Ms. Bronikowski stated for Pension Board Trustees, RPS added a clarifying line item for individual Trustee education, the CAIA Education Program and on-site education for Trustees.

The Chair stated his question was also about the on-site education for Trustees because he does not recall any on-site programs. Ms. Bronikowski stated that with the governance project, there may be a desire to bring more education on-site and present educational opportunities at Board and Committee meetings. She further stated that if the Board wanted the line item changed, they could change it.

The Chair commented that he would like additional information on what this training is because other than IFEBP, there is no local training available that he is aware of. After additional discussion, Mr. Nelson noted that it was his understanding from Funston that the Board meetings would have an hour of continuing education on a variety of topics, including investments at each meeting. He stated he was not sure if that would be provided by the Board's vendors free of charge or whether that would be an additional cost. Ms. Bronikowski agreed and stated that she wanted to ensure there was room in the budget to allow for a professional to provide training if a service provider could not.

The Chair questioned why there was a separate line item for professional services and stated he wanted to be specific about what line item was for what service. The Chair also questioned that in terms of the IFEBP programs for the staff, are the courses transferrable or specific to the administration of public defined benefit plans? Ms. Bronikowski stated that the line item is for the IFEBP in-house training for \$14,000, which is a training on public sector benefits administration. She stated it is one part of a three-part course to obtain a certificate in public sector benefits administration. Ms. Bronikowski further explained that the staff in 2017 began this course and they have already taken the other two courses. Ms. Bronikowski noted that the other two courses that they have taken are Retirement Plan Basics and Public Sector 401(a), 403(b) and 457 plans.

In response to a question from the Vice Chair about why RPS staff would attend a class specifically for 403 or 457 plans, Ms. Bronikowski stated that she could not speak to decisions that the prior director made about education. In response to a follow-up question, Ms. Bronikowski stated that there was content in that training regarding retirement readiness and planning for retirement, but she did not attend the training so she is unable to comment on the specifics.

In response to additional questions, Ms. Bronikowski confirmed that the RPS staff would then have a certificate after this final training, and she confirmed that it was her understanding that at least a couple of Trustees attended as well.

In response to a question from Mr. Holton, Ms. Bronikowski stated the staff are not required to have this certificate as part of their employment. The Chair noted while it may not be required, it is the Board's hope to professionalize the staff and the Board to better serve the ERS members.

After some additional discussion, the Chair asked if there were any other questions on the budget and noted that portions of the budget may arise in some of the other subsequent items.

The Pension Board made a motion on this item later in the meeting.

9. S. Wisniewski

The Chair stated he would again take the agenda out of order to allow counsel for Mr. Wisniewski to address the Board. The Chair noted that if there are items counsel feels are sensitive, the Board can enter closed session.

Mr. Sweetland introduced himself as counsel for both Mr. Wisniewski and the Milwaukee County Fire Fighters Association Local 1072. He stated he is requesting that Mr. Wisniewski's pension appeal be held in abeyance pending final determination of a prohibited practice complaint that the Wisconsin Employment Relations Commission ("WERC") will be reviewing. Mr. Sweetland explained that the grievance involves the interpretation of a provision in the contract that relates to the calculation of final average salary. WERC has asked the parties if they are willing to enter into a process called conciliation, and Attorney Kearney advised that the County is prepared to do that. Mr. Sweetland stated he is authorized to state that the Union will also agree. Therefore, Mr. Sweetland stated that based on the process at the WERC level and the anticipation that the parties will be attempting conciliation, he understands that the Board may be amenable to holding over the appeal.

Ms. Kearney agreed and explained that the appeal was on the Board's agenda because there was an appeal of an ERS decision, which was one of two possible tracks this case could take. Ms. Kearney stated that now that the case has moved into the WERC track, if the Board agrees, the appeal can be placed on hold until the WERC process is completed.

The Chair asked for any discussion or disagreement to counsel's recommendation and Attorney Sweetland's request that Mr. Wisniewski's appeal be held in abeyance for further decision from WERC. Seeing none, the Chair stated that this recommendation and proposal was acceptable to the Board.

10. Investment Committee Report – December 2, 2019

The Chair asked Mr. Nelson to provide the Board with his report from the December Investment Committee meeting. Mr. Nelson stated the Committee spent a lot of time reviewing the results of the Private Equity RFPs. He explained the Board issued RFPs for three different subsections of Private Equity managers and chose several candidates to come in and interview with the Committee on January 13. Mr. Nelson clarified the Board can hire up to three different managers or it can decide that it only wants to hire a manager from one or two categories.

Mr. Nelson then stated the other topics discussed at Committee were presented by Marquette already, including the fee proposals. Mr. Nelson noted as Mr.

Caparelli stated, the Board will need to make a decision on the JP Morgan proposal by February 8.

Mr. Nelson continued by noting the Board also plans on issuing an RFP for its investment consultant, which is currently Marquette's role. Mr. Nelson explained this will need to occur in 2020, so Marquette's contract will need to be extended for a year.

In response to a question from Ms. Bedford, Mr. Nelson stated the Board will issue an RFP to see what else is out there in the investment consultant universe and those costs and services.

Mr. Nelson then stated that unless there were questions, that concluded his report.

11. Audit Committee Report – December 5, 2019

The Chair asked Mr. Morgan to report on the Audit Committee meeting held on December 5, 2019. Mr. Morgan stated the Board received the minutes prepared by RPS, which reflects what occurred at the meeting. Mr. Nelson further stated the Board will review the potential contract extensions and pension governance later on in the meeting. Mr. Morgan stated that unless there were questions, the minutes accurately reflect what was discussed at the Committee meeting.

12. Contract Authorization

The Chair stated this item is to consider the extension of three current service provider contracts. He explained one is for the Joxel Group, LLC., one is for Marquette Associates and the third is for Funston Advisory Services ("Funston").

(a) The Joxel Group – Quality Assurance

Ms. Bronikowski began by explaining this item is a request for authorization to execute a contract with Joxel for 2020 to provide an on-site resource that tests and validates the developments that are made to ERS's pension administration system. She noted the cost of this service is \$138,000, which includes an individual person for 1,920 hours for the year. Ms. Bronikowski further noted this individual does the testing for the developments and fixes and enhancements that go into ERS's V3 system. Ms. Bronikowski stated this cost has already been included in the 2020 budget.

The Vice Chair then commented the Board continually hears that the data clean-up is ongoing and almost done. The Vice Chair questioned whether this was completed and why ERS needs to hire additional Joxel staff at this time. Ms. Bronikowski stated this individual has been performing these duties for at least a year, so it is not a new addition.

In response to a question from the Chair, Ms. Bronikowski explained that half of Joxel's time is spent on enhancements and maintenance and half of it is spent on projects.

Ms. Bronikowski stated that in further response to the Vice Chair's question, there were 43 outstanding issues that were reported on the Baker Tilly Agreed Upon Procedures engagement. She stated 33 have been resolved or completed, 6 were combined into one, which is being worked on, 1 was removed because the cost to fix the issued outweighed the population that is affected, 1 was resolved through an administrative process, and 1 will be completed in the event that ERS moves to Version 10 of V3 because the current version does not have that functionality. Finally, Ms. Bronikowski stated the remaining issue is being fixed by the County.

In response to a question from Mr. Morgan about the potential of a replacement for Joxel, Ms. Bronikowski explained the services that Joxel provides are co-development. She clarified that Joxel works with Vitech to program the pension system. Ms. Bronikowski stated that ERS could have Vitech do all of the programming, but their billing rate is about twice as expensive. Ms. Bronikowski stated ERS issued an RFP in late 2016 or early 2017 for those co-development services from Joxel but Joxel was less expensive. Accordingly, it made more sense to stay with Joxel. Ms. Bronikowski explained that RPS does not intend to continue using co-development forever. Instead, RPS is hoping to make all of the fixes to the V3 system, and once those fixes are complete, RPS would like to upgrade to the new V10 system. This new system would allow RPS to use its full-time employees to do the work that Joxel is currently doing.

In response to a follow up question from Mr. Morgan, Ms. Bronikowski clarified that RPS is currently on Version 8.4, even though the system is named V3. She explained that the upgrade is named V10, but it is also a Vitech product. Ms. Bronikowski stated that before RPS can upgrade, they want to fix all of the programming behind the scenes. She explained it does not make sense to have a system that is not fixed dropped into a new system because then those issues will continue. Ms. Bronikowski further explained that is her current vision, but there is an opportunity to change to a new pension administration system if the Board is interested in pursuing that. She noted the V10 system is a very nice upgrade and has much more capacity for self-service, including execution of forms online.

In response to a question from Mr. Aniban, Ms. Bronikowski stated Joxel has been working with RPS since they transferred to V3 around 2008. She confirmed that every year the cost is approximately \$900,000 for all of the services.

Ms. Bronikowski continued by explaining the relationship. She stated Joxel is less expensive than using Vitech, but the primary reason that Joxel is necessary is because when the system was implemented, it was not implemented correctly. Ms. Bronikowski noted the specifications that were sent to Vitech were not correct, so even though Vitech followed the specifications, the system did not produce correct calculations. Ms. Bronikowski further stated that changes that affect benefits have to be programmed into the system. For example, the overpayment procedures arising out of the new Ordinance, the change to benefits commencing on the first day of the month and the Rule 75 decision were all changes that V3 needed to reflect.

In response to a question, Ms. Bronikowski stated RPS has two full-time employees that work with the Joxel staff, a systems manager and a systems analyst. She further stated the 2020 Budget includes an item for an IT consultant. She explained RPS would like to hire an IT consultant to review the system and staffing and provide recommendations on how to improve it.

The Vice Chair then commented that while this is no reflection on the current Director Ms. Bronikowski, the entire time the Vice Chair has been on Board, this testing has been the explanation. The Vice Chair further commented that the Board has also received the same explanation from the three prior directors that the data cleanup is almost done and then there will be less co-development and more use of RPS staff.

Ms. Landry continued by adding that whenever a system needs to be customized, there are going to be external developers and programmers that are necessary expenses. She stated Milwaukee County is spending a lot on a new system for the whole County, but this system is "off the shelf," so the County will not need to make a lot of customizations or require the use of external programmers. Ms. Landry explained in 2008, she believes RPS required unique programming to make the system align to the complex Ordinances and Rules that govern the pension system. It is her understanding that before RPS moves to V10, the old issues must be cleaned up so RPS can use the new product as delivered. Ms. Landry also noted this is not an issue unique to Milwaukee County, but instead has been an issue for many public sector entities that were once driven by collective bargaining agreements. She explained that whenever there was a contract change, it impacted benefits and new tweaks to the system would be necessary. With fewer collective bargaining agreements, fewer tweaks will be needed, and it should be easier to purchase products out of the box. Ms. Landry clarified that as long as ERS continues to make changes, customizations to the systems and external experts will be necessary.

The Chair commented there is an asterisk in the budget noting that \$151,000 of the cost for Joxel will be cross-charged to the County. Ms. Bronikowski stated

this is correct. She explained that one of the five Joxel resources has been working with the County team. Ms. Bronikowski clarified that the County's systems feed into RPS's pension administration system because the RPS system needs to know individuals' earnings and service throughout their careers. Accordingly, one of the resources is spending the majority of his time working on the new County-wide system and making sure it can interface with the RPS system.

Ms. Bronikowski then commented that while it is a little late, RPS is prepared if the Board agrees to begin exploring with Vitech a transition to V10 and begin contract negotiations. In response to a question from Mr. Holton, Ms. Bronikowski explained that RPS would like to begin contract negotiations for the upgrade to V10 if the Board would like to move to the upgrade this year. She explained that Joxel has a finite list of items to resolve, and assuming there are no other major changes to the benefit structures, RPS would be prepared to begin moving toward the V10 system by the end of the 2020 or 2021. Ms. Bronikowski noted that implementation would take possibly two years because RPS has to make sure that every single type of calculation for every single type of employee is correct.

In response to a question from the Chair regarding cost, Ms. Bronikowski stated she would need to confirm, but she believes the prior estimates were around \$2 million. The Vice Chair commented that this item has been on the budget for years, and the cost has been \$2.4 million. She further noted it has always historically been taken off for the reasons previously discussed, including data clean-up.

The Chair stated that in his view it is not just the cost, but the savings that will be realized. He explained the Board is not just looking at current costs, but future costs. The Chair stated if ERS can reduce the cost of repaying by 50%, that is \$10 million over 10 years back to ERS. His recommendation and suggestion is that the Board request from RPS in the first quarter of 2020 a project timeline, which includes an RFP and goes through the potential implementation timeline with costs and savings that can be realized. The Chair stated he has a copy of the prior agreement from 2018, but he would like to also have an update on the items that are listed under the current open ticket list. Ms. Bronikowski stated that for clarification, the Chair would like for Quarter 1 an RFP for a pension administration system along with a cost savings analysis. The Chair agreed, and he noted that if ERS does not perform an RFP, it will continue with an annual contract renewal with the current vendor, which is largely co-development, not necessarily with Vitech.

In response to a question from the Chair, Ms. Bronikowski stated that ERS did issue an RFP for co-development in 2017. She stated there were two responses, and RPS went with Joxel because they were less expensive.

In response to a question from Mr. Robles, Ms. Bronikowski clarified that hosting services consist of secure data storage that is accessible to RPS, and maintenance services are separate, and include software patches, security patches and disaster recovery. She further clarified that Vitech is providing those, but the processes and the calculations that are done in Vitech are programmed by Joxel.

The Board made a motion related to this item later on in the meeting.

(b) Funston Advisory Services

The Chair stated that the Board is also being presented with a contract renewal for Funston. The Chair explained his question for the Board and the Trustees is whether they feel confident they have received substantial completion of the project as proposed and would they need to continue with Funston to move the process forward?

In response to a question from Mr. Aniban, Ms. Bronikowski stated the request is for a three-month extension of Funston's contract. She stated the initial contract was for \$289,000 and this would be an additional \$44,000 to continue supporting the Pension Board governance project through March. Ms. Bronikowski clarified that the \$289,000 cap was hit in December.

Ms. Bedford stated she is not sure it is necessary to continue retaining Funston because she does not see that they need to continue with what their original scope of work was. Ms. LaMendola questioned what the scope of work would be for purposes of the extension. Ms. Bronikowski stated Funston would help to address open items related to the Charters and Policies. She noted they could also assist with implementing the new Board structure and calendar. The Chair stated the Charters and Policies are on the Board agenda, so he is not sure what has not been completed.

Ms. Bronikowski explained she came into this process part of the way through, but it was her understanding the original timeline had a January 1st implementation date for the new Board structure, including Charters, Policies, Committee assignments and a new Board calendar. However, Ms. Bronikowski stated if the Board does not expect drastic changes to the Policies and Charters, and if implementation will not take more than month, the extension may not be necessary. Ms. Bronikowski noted RPS does not currently have the capacity to take on the additional work that Funston was doing.

Mr. Nelson then commented that he does not know how much more Funston needs to do. He thinks Funston assisted the Board with preparing the proposed structure and it is up to the Board to implement it.

In response to questions from the Board, Ms. Bronikowski stated the proposal was to continue service through March 2020 for a fee of \$44,000. She explained the services included confirming the strategic agenda for the Board, identifying key assignments for each Committee, assisting in developing and refining Committee meeting agendas and providing support in developing new member onboarding and continuing education materials.

Mr. Robles stated that Mr. Nelson's point is well taken. He noted the Board is close to finalizing the language and adopting what has been developed by Funston as it relates to the Charters and the Policies. Mr. Robles stated the detailed work in finalizing the documents is best left to the Board and is the Board's responsibility. Additionally, he noted the best vehicle for implementing the new structure is also the Board. The Chair stated that two items are emerging, one is a discussion about the Charters themselves and the other is the initial point of whether the Board should extend the contract with Funston. Mr. Robles stated he would be in favor of a motion that the Board table the discussion of whether to extend the contract to the January meeting. If Funston desires to present to the Board how specifically they would assist the Board substantively going forward, they can do that.

Ms. LaMendola commented she wants to make sure the Board is not in a similar position in March where another extension would be required. In her view, she would like to see Funston heading up this process, but she would also like to make sure it is completed in the first quarter of 2020.

Mr. Aniban agreed with Mr. Robles' proposed motion, but he would also like to see the scope of work from the initial contract and where those things are. He questioned how the full \$289,000 has already been spent because the scope of work is not yet completed. The Chair agreed and noted that the County has significantly reduced its participation in the process, which was part of that initial scope of work.

The Pension Board unanimously voted to table a decision on extending Funston Advisory Services' contact into 2020 until the January Pension Board meeting and further requested information related to the initial scope of services and what has been performed to date. Motion by Mr. Robles, seconded by Mr. Aniban.

The Board continued by making the following motions.

- (c) Marquette Associates, Inc.

The Pension Board unanimously voted to extend the investment consulting services contract with Marquette Associates, Inc. through December 31, 2020. Motion by Mr. Robles, seconded by Mr. Nelson.

The Pension Board unanimously voted to extend the co-development agreement with the Joxel Group, LLC. through December 31, 2020. Motion by Mr. Robles, seconded by Mr. Nelson.

The Pension Board unanimously voted to accept the 2020 Budget as presented by Ms. Bronikowski. Motion by Ms. Bedford, seconded by Mr. Holton.

Mr. Nelson then left the meeting.

13. Pension Governance

- (a) Charter Review and Approval

Ms. Bronikowski stated that the Board has received the Board Charter, Investment Committee Charter, Actuarial and Audit Committee Charter and the Governance Committee Charter. She stated that these are revised versions.

In response to a question from Mr. Aniban, Ms. Bronikowski stated there not major changes from the prior versions, but the changes were reflected in the versions that were circulated to the Trustees via email.

The Chair noted an inconsistency between two Charters related to whether 16 or 24 hours of continuing education were required. In response to a question from the Chair, Ms. Bronikowski stated that MCERS refers to the ERS and the team that is County staff is referred to as RPS (Retirement Plan Services). The Chair also stated there were some prior questions about the use of the term "delegate" that do not appear to have been addressed.

Mr. Robles commented he had emailed some comments and questions back to RPS the prior week. He stated his concerns were with regard to the Board's need for outside counsel, and Corporation Counsel's involvement with that process. Mr. Robles explained his concern is that if Corporation Counsel has a conflict and the Board goes to outside counsel, the Board is asking Corporation Counsel for assistance when they are conflicted. He stated this would create a tremendous conflict. After additional discussion, the Chair stated the procurement of legal services is outside of the Ordinance that speaks to other

professional services, and historically the Board has been hired its outside counsel when it deems necessary. Ms. Kearney explained it appears this wording in the Charter came from Funston, and this wording is not as specific as this situation warrants. She stated this should be fine-tuned and agreed with Mr. Robles that there are situations where the Board would like to have its own outside counsel and that is the Board's right to hire that person. Ms. Culotti agreed this section of the Charter can be revised to reflect Mr. Robles' concerns. The Board then discussed further how the provision could be revised. The Board also discussed how a potential procurement policy could address some of these issues.

After further discussion, the Vice Chair stated that based on the open questions, in her view, the Charters are not ready for Board approval. She noted she is frustrated that the full Board is having to review the language this far into the process that cost \$289,000. The Vice Chair stated she very much agrees with Mr. Robles' concerns, but the full Board cannot read through the Charters in detail at the meeting. After further discussion on how to proceed, the Vice Chair stated she would recommend that the Board ask counsel to review the Charters and Policies, make suggestions to fix the language and help finalize the documents. The Vice Chair stated it appears both counsel have agreed to proceed with this recommendation. Ms. Kearney stated counsel is willing to take this on, and Ms. Culotti agreed. Ms. Kearney noted counsel has not seen all of the Trustees' comments and it does not appear that the Trustees have had a central location to submit comments. Ms. Kearney stated counsel could collect the comments, review the documents for consistency and then bring revised versions to Audit Committee.

The Board discussed further how to proceed and determined that the Board would table the approvals of the Charters and the Policies until January.

(b) Policy Review and Approval

As noted above, the Board tabled the approval of the Policies until the January meeting.

Ms. LaMendola left the meeting.

Mr. Morgan then moved that the Pension Board adjourn into closed session under Section 19.85(1)(g), Wisconsin Statutes, with regard to items 7(a), 14-15 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation and under Section 19.85(1)(f), Wisconsin Statutes, with regard to item 16 for considering financial or medical information related to the listed persons, which if discussed in public, would be likely to have a substantial adverse effect upon the reputation of those persons.

The Pension Board agreed by a roll call vote of 7-0 to enter into closed session. Motion by Mr. Morgan, seconded by Mr. Holton. RPS staff left the room.

14. Communication to Survivors

The Pension Board discussed this item in closed session. Upon returning to open session, the Board took no action.

15. Counsel Update

(a) Voluntary Correction Program

The Pension Board discussed this item in closed session. Upon returning to open session, the Board took no action.

(b) Litigation Update

The Pension Board discussed this item in closed session. Upon returning to open session, the Board took no action.

The Pension Board agreed by roll call vote 7-0 to return to open session. Motion by Ms. Bedford, seconded by Mr. Holton.

Ms. Bedford then left the meeting.

After returning to open session, the Pension Board made the following motions.

(a) Fiduciary Insurance

The Pension Board unanimously voted to select Option 1 as presented by the Director of Risk Management to retain the \$150,000 deductible for its 2020 fiduciary insurance renewal. Motion by Mr. Holton, seconded by Mr. Robles.

(b) L. Vazquez

The Pension Board voted 5-1, with Mr. Aniban, Mr. Morgan, Mr. Robles, the Vice Chair and the Chair approving, and Mr. Holton disapproving, to deny the appeal by Luz Vazquez consistent with the discretion assigned to it by Ordinance section 201.24(8.17) to interpret the Ordinances and Rules of the Employees' Retirement System of the County of Milwaukee ("ERS"), based on the following rationale:

Factual Background.

1. Luz Vazquez is an ERS member who terminated County employment on September 30, 2015.
2. On October 9, 2015, Retirement Plan Services ("RPS") sent a letter to Ms. Vazquez informing her that she had a balance of \$2,385.08 in her membership account and that she had a right to request a refund of her membership account within 180 days of terminating her employment. The letter further explained that Ms. Vazquez could elect to maintain her membership account with ERS instead of requesting a refund. The letter included a "Consent to Membership Account Distribution or Retention at Termination of Employment" form ("Form") upon which members may elect to receive a refund or maintain their accounts with ERS.
3. RPS has no record of receiving completed paperwork from Ms. Vazquez or receiving the October 9, 2015 letter as undeliverable.
4. On October 15 and 16, 2019, Ms. Vazquez inquired about receiving a refund of her membership account.
5. On October 31, 2019, RPS sent Ms. Vazquez a letter explaining that she was not entitled to a refund of her contributions because more than 180 days had passed since she terminated employment. The letter also advised Ms. Vazquez of her right to appeal RPS's decision to the Pension Board.
6. On November 4, 2019, Ms. Vazquez sent a letter formally appealing RPS's decision to the Pension Board.
 - (a) Ms. Vazquez stated she did not receive the October 2015 notice via mail.
 - (b) She included a signed statement from her neighbor Kenakhone Phouayvongsa stating that Ms. Phouayvongsa frequently receives Ms. Vazquez's mail by mistake. The statement acknowledges that Ms. Phouayvongsa has resided in her residence since late 2014 and for the first years of living there, Ms. Phouayvongsa received mail that was intended for Ms. Vazquez. Ms. Phouayvongsa states that she attempted to return mail through the mail carrier if she was unable to personally deliver the mail. Ms. Phouayvongsa further stated that it is possible that Ms. Vazquez did not receive her mail because Ms. Phouayvongsa sometimes does not.

- (c) Ms. Vazquez further noted that the mail confusion occurs often, and she has missed other important notices in the past.
- 7. Ms. Vazquez appeared at the December 18, 2019 Pension Board meeting and presented her appeal to the Board.

Pension Board Findings.

- 8. Subject to certain exceptions not relevant here, Ordinance section 201.24(3.5) provides that a member may request a refund of his or her employee contributions after termination of County employment.
- 9. Ordinance section 201.24(3.11)(6) requires members to request a refund of their employee contributions within 180 days of termination of County employment.
- 10. Ordinance section 201.24(3.11)(6) also includes a notice requirement under which RPS must send a terminated member written notice of the member's refund option.
- 11. The Ordinance includes an exception to the 180-day limit if the Pension Board determines that the notice was not received by the member.
 - (a) The member has the burden of proving notice was not received.
 - (b) If the Pension Board determines that the member did not receive the notice, the Pension Board may direct RPS to allow the member to receive a refund of the accumulated contributions.
- 12. Ms. Vazquez terminated County employment on September 30, 2015. She had until March 2016 to request a refund of her membership account. RPS did not receive a request from Ms. Vazquez to obtain a refund of her employee contributions within the 180-day deadline to request a refund.
- 13. Ms. Vazquez contends that she never received the notice letter from ERS and was not otherwise informed that a refund of her membership account could only be requested within 180 days of terminating employment. Ms. Vazquez asserts that she often does not receive her mail and provided a signed statement from her neighbor that supports this assertion.
- 14. The Pension Board finds that Ms. Vazquez did not provide sufficient proof that she did not receive the notice. While the Pension Board understands Ms. Vazquez has trouble with her mail, it appears that Ms. Vazquez received other letters from the County around the same time period, including her final check. Additionally, it is unclear why Ms. Vazquez is

now requesting a refund years later if she had no notice that she was eligible for a refund.

15. The Pension Board must administer benefits within the Ordinances and Rules, and the Ordinance requires members to request a refund of their contributions within 180 days after termination of employment. Ms. Vazquez did not request a refund within the time period, so the Pension Board finds she is not entitled to a refund under the Ordinances.

Motion by Mr. Robles, seconded by Mr. Morgan.

16. Disability Retirement

(a) N. Evans

The Pension Board discussed this item in closed session.

Upon returning to open session, the Pension Board voted 5-0-1, with Mr. Morgan abstaining to deny Ms. Evan's application for ordinary disability retirement based on the language in the Ordinance. Motion by Mr. Holton, seconded by Mr. Robles.

(b) V. Williams

The Pension Board discussed this item in closed session.

Upon returning to open session, the Pension Board unanimously voted to deny Ms. William's application for accidental disability retirement and approve Ms. William's application for ordinary disability retirement. Motion by Mr. Robles, seconded by Mr. Holton.

17. RPS Reports

(a) RPS Director Report

Ms. Bronikowski started the Director Report by stating that RPS is continuing with its end-of-the-year processes, including the financial audit and issuing 1099s. She explained she is working with Human Resources to explore changing the structure of the RPS team and potentially adding additional analysts and clerical or customer support resources. Ms. Bronikowski noted that in the event RPS decides to add any full-time employee positions, that request will come before the Pension Board.

(b) Retirements Processed

Ms. Bronikowski then proceeded to review the Retirements Processed for November. She stated that RPS processed 19 retirements with just over \$1.5 million in backDROPs.

(c) Fiscal Reports

Ms. Bronikowski stated she will also present the Fiscal Report for this month. She noted the key highlights are that there was a net change in Plan net assets as of November 30 in the amount of \$2.5 million. Ms. Bronikowski further stated the current net Plan assets as of November 30, 2019 is \$1.692 billion. She explained the number is incorrect in the Board's memorandum. Ms. Bronikowski stated to cover the monthly disbursements in November, \$7.5 million was raised from the Northern Trust S&P 500 Index Fund.

Ms. Bronikowski next reviewed the Funds Approved Report. She stated at the September Pension Board meeting, \$53 million was approved for fourth quarter needs, and there was a surplus from the third quarter of \$5.5 million. Ms. Bronikowski explained that leaves \$59.5 million available. She stated \$18 million was required for October, \$17 million was required for November, and December will require \$17 million, leaving \$7.5 million in surplus at the end of the fourth quarter. Ms. Bronikowski stated she is requesting Board approval for the estimated first quarter 2020 funding needs of \$52 million.

Ms. Bronikowski then reviewed the Capital Calls and Distributions in November. She stated the distributions in November totaled \$1.3 million, including \$724,000 from Adams Street 2009 U.S. Fund, and \$614,000 from Siguler Guff II. Ms. Bronikowski stated there were no capital calls in November.

Ms. Bronikowski continued by stating she has a response to an item that was discussed at the last Board meeting regarding the amount of survivor payments. She explained at the November Board meeting, the five-year benefits paid report for the years 2014 through 2018 was provided, and there was a question raised regarding the increase to the number of survivor benefits paid from 2016 to 2017. Ms. Bronikowski stated RPS dug into the data and determined that in 2017, RPS did a data cleanup project that converted some legacy data issues from the prior system. She explained previously individuals receiving survivor benefits were coded as retirees. During the cleanup project, they were recoded as survivors, which resulted in the large increase in the number of survivor benefits from 2016 to 2017. Ms. Bronikowski called for any questions.

The Chair asked whether it was possible to know if ERS would receive any cash contributions from the Sponsor in the first quarter. He explained he is asking due to the \$52 million approval request. The Chair stated this issue came up

earlier with Marquette as to where ERS is harvesting cash for the fund requests. Ms. Bronikowski stated she would need to check, but she believes the employer contributions are made later in the year around June. The Chair stated he would appreciate the information.

The Pension Board voted unanimously to approve the liquidation of assets to fund cash flow of \$52 million for 2020 first quarter funding. The amounts should be withdrawn from investments designated by Marquette. Motion by Mr. Morgan, seconded by the Vice Chair.

18. Administrative Matters

(a) 2020 Board Meeting Calendar

The Chair stated the Board calendar this year is a moving target due to the potential meeting structure change, but he asked Ms. Bronikowski to walk the Board through the calendar.

Ms. Bronikowski stated she developed a two-sided calendar. She explained one side includes meeting dates under the current structure and the other side is a draft meeting schedule under the proposed structure. Ms. Bronikowski explained she expects to work under the current structure of the Board unless and until the Board moves to a different schedule. She noted she included an August meeting date, but this could be adjusted as the Board would like. Ms. Bronikowski stated she also adjusted the November and December meeting dates to avoid meeting too close to the holidays.

In response to a question from the Vice Chair about the January 13th Investment Committee meeting to hold RFP interviews, Ms. Bronikowski stated she would start reaching out to the Board Trustees to see if they are able to attend.

In response to a question from the Chair, Ms. Bronikowski stated her goal was to align the proposed new structure calendar with the deliverables that are required for the Board. She stated she can also adjust to make sure the appropriate Committees and the Board meet at the appropriate times.

The Chair stated he would entertain a motion to approve the current Board calendar subject to any changes or amendments that may be necessary.

The Pension Board voted unanimously to approve the current Board calendar subject to any changes or amendments that may be necessary. Motion by Mr. Holton, seconded by Mr. Morgan.

(b) 2020 Continuing Education: CAIA Fundamentals Certificate

The Chair stated the final item is related to the CAIA Fundamentals Certificate. Ms. Bronikowski noted this was approved for Trustees to attend at the last meeting. Per the Chair's request, Ms. Bronikowski circulated the details to the Board.

The Chair stated he is asking Ms. Bronikowski to have this scheduled with CAIA. He noted that four staff members would also be participating in this program. The Chair explained he thinks it is important to begin professionalizing the RPS staff, particularly in the area of investments. He noted he did not go into a lengthy discussion on this topic, but the last 5 and 10 year numbers have underwhelmed, which has led to a larger unfunded liability as well. The Chair stated as the Board starts to utilize resources like CAIA to help improve the Board effectiveness, he thinks the Board can start making decisions that hopefully improve the bottom line performance, which bodes well for ERS members and is a part of the Board's fiduciary responsibility. The Chair further stated this will allow the Board to be more than 80% complete with its continuing education requirements by the first quarter. He explained this program is available online and is self-paced. The Chair noted the information packet includes the specific modules to be completed.

The Chair stated there was one more administrative matter that he would like to raise and that is the training from Global Governance Advisors. He noted they are a third-party organization that could potentially work with the Board in terms of getting the Board over the finish line. The Chair explained he would like to have the Audit Committee look at conducting the first Board effectiveness assessment, which would include a skills matrix. After this assessment, the Board can drill down and determine where continuing education would be most helpful. The Chair concluded by stating he is confident that the Board will be able to implement its governance efforts in the first quarter and start the New Year off fresh. He thanked everyone for their time.

19. Adjournment

The meeting adjourned at 2:05 p.m.

Submitted by Jessica Culotti,
Secretary of the Pension Board